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CO-OP MINING COMPANY

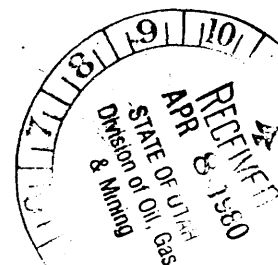
53 WEST ANGELO

SALT LAKE CITY, UTAH 84115

Phone: (801) 467-4003

April 7, 1980

Mr. Ronald W. Daniels
Division of Oil, Gas, and Mining
1588 West North Temple
Salt Lake City, Utah 84116



Dear Mr. Daniels:

As you suggested to us this afternoon, we have recounted the events in our attempt to reach an agreement with Huntington City regarding the Bear Creek Canyon spring.

Aug. 13, 1979 Castle Valley Special Service District. Filed protest to Bear Creek Canyon mine plan.

Aug. 29, 1979 Darrell Leamaster, Bill Stoddard, and Representative from Oil, Gas and Mining Div. met at site of spring.

Sept. 14, 1979 Darrell Leamaster sent proposed agreement to Co-op Mining Co. our attorney checked agreement and found unacceptable.

Oct. 1, 1979 I met with Huntington Mayor Drew Richards, and Darrell Leamaster, manager of Castle Valley Special Service District, to discuss terms of the agreement. Drew thought some of the conditions could be changed, and asked me to submit a draft for their consideration.

Oct. 3, 1979 I submitted the requested draft.

Upon inquiring a few days later, I was told it had been sent to Scott Johansen, Huntington City attorney. During the months of October, November, and December, I made a number of phone calls to Mr. Johansen's office, and was repeatedly told by his secretary that he had not yet had time to look it over, and would call me when he did.

Jan. 7, 1980 I called Scott Johansen. He told me he had read the draft and didn't see any problems with it, and that he would have it typed up and send it to the Mayor to sign to be ready for me to pick up. About a week later it was ready, but when I picked it up, I found they had made several significant changes from the draft we had submitted. I felt that if they could not accept the terms in our draft, a much better method would have been to say so, and arrange a meeting to discuss it, or to submit a draft of their own for us to consider. Our attorney did not agree with some of the terms of their agreement, so he made a new draft and I made an appointment at the next City Council meeting to discuss it.



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Feb. 13, 1980 Bill Stoddard and I met with City Council. Scott Johansen and Darrell Leamaster were present. No agreement was reached. Mayor Richards instructed us to have the two attorneys meet to work out an agreement on the terms, and the city would abide their agreement.

Feb. 29, 1980 Scott Johansen, Carl Kingston (our attorney), Elden Kingston, and I met in Price, Utah. Tentative agreement was reached on the issues in question, and Scott asked Carl to make another draft with the changes we had agreed upon.

March 7, 1980 Carl Kingston sent new draft to Scott Johansen.

I called Mr. Johansen. He said it looked all right to him, but he had sent it to Darrell Leamaster for an engineering study. During the following month, both Carl Kingston and myself made a number of phone calls to Mr. Leamaster, and were told he hadn't had time to look at it. We were becoming very concerned with the time involved due to the lateness of the season, and our need to start working in Bear Creek Canyon in order to be able to finish this summer.

April 4, 1980 Scott Johansen phoned me to say he had met with Darrell Leamaster and had written a letter detailing four major changes, and several smaller ones that would have to be made. I picked up the letter at his **office and delivered it to Carl Kingston to save mail time.** The letter begins "I have this day met with Darrell Leamaster for an engineers input into the above matter." However, the reference in the letter to paragraphs 5, 7, 8, and the addition of the succession of interest clause to the agreement (see enclosed copy) seem to have very little to do with an "engineers input".

The main areas of disagreement are:

We want; to replace the water if we encounter a substantial amount of water in our mine, and this coincides with a drop in the flow of the spring, and is not a normal seasonal or drought year drop, and for the flow rate of the spring of the spring to computed from the average flow rate over a long period of time.

They want: us to replace the water if it drops for any reason.

This could be:

1. normal seasonal variation
2. a drought year
3. our mining operation
4. some other company's mining operation



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and the flow rate to be used would be the present flow rate (at the end of a wet and warm winter season), the agreement to be triggered by the flow rate dropping below 180 gpm. (On Aug. 29, 1979, Darrell Leamaster met with Bill Stoddard and a representative of the Oil, Gas and Mining Division at the spring site, and said it was flowing at about 150 gpm).

We want: any other company that mines in the area that might also affect the spring flow, to sign the same or an equally binding agreement with the city.

They want: us to be wholly responsible for their spring, and to bear the burden of proof that another company is responsible, and to replace the water while we are proving it.

We want: if we need to replace water, for the water to be a culinary quality, comparable to other water the city is using.

They want: us to replace it with the same quality. This could involve someones opinion of the taste, or the exact analysis, or other things that would be practically impossible to duplicate.

The other areas of disagreement are not major, and can be worked out, but we have found that, even though the Mayor, the City Council, and the attorney have been inclined to work to a reasonable solution to these problems, each time it is sent to Mr. Leamaster for his approval, it is brought right back to the place where we started. It has been nearly nine months since they filed the protest, and we have been unable to make any progress in our negotiations. Also, even though they filed the protest in August 1979, they claim they have no record of spring flow before Jan 1980. We feel they have been very negligent in this regard.

We would like the Divisions consideration in overruling the protest of the Castle Valley Special Service District unless they are willing to work to a more reasonable agreement.

Respectfully;

W. J. Owen

Co-op Mining Company